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October 4, 2007

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington DC 20554

Re: WC Docket 05-337, High Cost Universal Service Support

Dear Ms. Dortch,

This is to inform you that on October 4, 2007 the undersigned, Cathy Carpino, Beth Fujimoto, Tom Jankowski, and Ron Hilyer of AT&T met with Jeremy Marcus, Jennifer McKee, Amy Bender, Katie King, Ted Burmeister, Alex Minard, and Gary Seigel. The purpose of the meeting was to discuss the Joint Board's interim cap and other proposals to replace the identical support rule with wireless cost methodologies. Our comments were consistent with positions contained in previous filings in the listed docket and material used during the meeting is attached.

In accordance with Section 1.1206, I am filing this notice electronically and request that you please place it in the record of the noted proceeding. If you have any questions please do not hesitate to contact me at 202-457-2041.

Sincerely,

Mary L. Henze

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cc: J. Marcus
A. Bender
J. McKee
K. King
T. Burmeister
G. Seigel
A. Minard

1. Modification to Joint Board-Proposed Cap

With a few modifications, the Joint Board's proposed interim cap is reasonable method to control fund growth while undertaking long term reform.

- However, as proposed, cap mechanism could result in unpredictable mid-year reductions in funding when new ETCs are approved in a state.
- Inclusion of new lines would require mid-year adjustment in "reduction factor" and reduce per-line support for all existing CETCs in the state.
- Significant unplanned reductions would put CETCs' infrastructure deployment commitments at risk.

AT&T proposed "predictability" modification: Limit CETCs eligible to receive capped funding in each state in any given year to those designated as CETCs as of a particular date (i.e., carriers designated on/or before October 1).

Modification would enable existing CETCs to complete build out plans and meet state infrastructure commitments.

Base year should reflect 2007 funding levels to recognize most current levels of infrastructure deployment rather than retroactively capping.

2. Identical Support Rule and Actual Costs

Implementing Joint Board cap has the effect of eliminating the identical support rule.

- Regardless of actual reduction, CETCs would no longer be guaranteed to receive the same per-line support as wireline carriers.
- No other action to eliminate identical support rule is necessary at this time.

Proposals to replace identical support rule with actual cost methodologies are both highly regulatory and ill-conceived.

Simply inputting wireless costs into wireline mechanism generates anomalous results that do not meet policy goals.

3. THE GVNW WICAC PROPOSAL

A. Fundamental Concerns

GVNW's proposal, which would continue to provide high cost support to wireless carriers using a variation of the existing flawed per-line support mechanisms, does not

- reflect cost dynamics of wireless service, and
- improve the incentives for wireless carriers to deploy service in unserved areas.

Costs associated with providing wireless service are not per-line or per customer sensitive like wireline service; wireless costs are generated more by demand for minutes which can come in areas where no customers reside (i.e., along highways)

Imposing an actual cost methodology to allocate wireless support as an *interim* measure is an extreme step that requires serious debate to avoid unintended consequences that inconsistent with desired public policy objectives.

GVNW, a consultant for the rural ILEC community, has designed a mechanism that biases the support calculation to decrease wireless support levels.

B. GVNW's Wireless Part 32 Proposal is Seriously Flawed

GVNW's suggestion that implementing a Wireless Part 32 process would be quick and simple reflects a serious misunderstanding of basic financial accounting realities.

Different Accounting "Geography"
Use of study-area-specific cost data in existing support mechanisms was developed in a wireline-centric regulatory environment. The rural ILECs are required to maintain Part 32 data by study area for separations and rate-making purposes.

- Many, if not most wireless carriers do not maintain their financial records on a state-by-state basis much less by study area. Financial accounting is based on business needs and development of their networks. For example, AT&T Mobility books costs based on “market clusters” which can encompass multiple and/or partial states.

- GVNW suggests that a new wireless Part 32 system of accounts would be easy to implement because it would just involve “mapping” to 23 accounts. However, GVNW presumes the use of state-by-state and study area by study area wireless cost data which does not currently exist and would require extensive changes for this limited purpose.

Different Accounting Methodology

The primary bases of the Part 32 chart of accounts are the functions performed by the assets or by individuals as opposed to expenditure type or organizations where the functions are performed (Part 32.2(b) and Part 32.5999(a)(2)).

- Wireless carriers do not maintain their books on the functional basis used in Part 32. Thus, for example, instead of recording wages and salaries in the wages and salaries expense account used by AT&T Mobility, wages and salaries would have to be assigned or allocated among the different functional accounts used in Part 32 (i.e., Land and Building expense, CO switching expense, Cable and Wire Facilities expense, etc.).

- Such assignments/allocations requires various forms of time reporting and downstream allocation processes, including the assignment of locations codes. These changes would not only apply to wages but to all expenditure types such as assets, benefits, rents, and others.

Lengthy and Expensive to Implement

GVNW’s suggested 9-month timeline for Wireless Part 32 adoption is ludicrously optimistic. The Commission’s transition from Part 31 to Part 32 provides useful historical perspective:

- In May 1986, the Commission required the transition from a former Uniform System of Accounts (Parts 31 and 33) to the current Part 32 USOA. The Commission initiated the proceeding nearly eight years before the rules were ultimately adopted. The final FNPRM alone took 15 months to complete.

- The Commission granted carriers more than 18 months to implement the new Part 32, recognizing they would need that much time even though they were transitioning from one uniform system to another. The estimated cost to implement the proposed system was between $600M - $1.1B in 1986 dollars.

The time and expense of imposing a uniform accounting system on the wireless industry that has no history of regulatory accounting uniformity would be exponential.

C. GVNW's Wireless ETC Algorithm is Seriously Flawed

Under the existing HCL algorithm (the NECA Loop Cost Allocator) rural LECs receive support for their unseparated loop costs. In other words, both the interstate and intrastate loop costs are used to determine rural LECs' eligibility for HCL support.

GVNW's algorithm would require the application of an "intraMSA ratio", i.e., the ratio of minutes of use (MOUs) both originating and terminating within an MSA to total MOUs within the study area. For study areas outside an MSA, the ratio used would be that of the intra-study area traffic compared to total traffic (apparently within the study area). If the company cannot or does not measure its traffic in this manner, GVNW proposes to apply a default ratio of 0.5.

As used in the algorithm, the effect of the intraMSA ratio would be to apply a reduction factor to a wireless ETC's loop costs before they are compared to the National Average Cost per Loop. The cost reduction factor would be 50% if the wireless carrier does not measure its intraMSA or intra-study area traffic. The existing HCL algorithm does not apply any similar reduction factor to rural LECs' costs before the NACPL benchmarks are applied.

The effect is thus to artificially reduce wireless carriers' costs, but not rural LECs' costs, in a manner more likely to exclude wireless ETCs from receiving support. This can hardly be called an "identical basis of support", despite GVNW's assertions

In addition, it is not at all clear how or why the GVNW mechanism would be used as an alternative to HCM support calculations.